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PROBLEMS OF BUDGETARY REFORM

The paper here presented, which deals with technical questions that arise in framing budgetary laws and budgetary procedure, is written from the point of view of American conditions. This is done primarily because the problem of budgetary reform, as it presents itself to governments of the American type, is a peculiar and, in some of its phases, a local problem. It would be an error to answer technical questions of financial procedure in the United States as they are answered in England, in France, or in Germany. For another reason, also, are American conditions of peculiar significance in the discussion of budgetary reform. During the past ten years the federal, the state, and the municipal governments in the United States have shown great interest in the betterment of financial machinery, and the discussions that have taken place, the programs that have been proposed, and the laws that have been enacted supply new and pertinent material for the study of budgetary problems. Just at present more can be learned from the analysis of American than of foreign conditions.

GENERAL DEFECTS OF AMERICAN FINANCIAL PRACTICE

The chief evils in American practice may be traced to a diffusion of responsibility for money bills. The several steps to be followed in financial procedure are not clearly defined, nor can there

anywhere be found a definite expression of the authority which the various officials are at liberty to exercise in dealing with budgetary matters. "Congress habitually disclaims responsibility for the methods it employs. Responsibility is shifted from the House to the Senate, or from Congress to the Executive, or even to the mass of the people."¹ The states and municipalities are, in this matter, no more fortunate than the federal government. Every student of financial procedure in these grades of government must conclude, as did the commission appointed by the Commonwealth of Massachusetts, to compile information for the use of the Constitutional Convention, that, "in most of the states . . . the function of making up the budget has been assumed by appropriation committees with the result that our government has on the whole been run without careful financial planning. The adoption of a budget system would greatly improve the conditions in this country by substituting business-like financial methods for the present unscientific, haphazard practices which are followed by both the Legislature and the appropriation committees."

This diffusion of responsibility for financial methods may be traced to the eighteenth-century doctrine of Montesquieu relative to the separation of governmental powers. Definite expression of this doctrine is found in the constitutions of six of the states that were parties to the framing of the federal Constitution, and although no specific mention of that doctrine is to be found in the federal instrument, its influence in the organization of the new government is everywhere apparent. This fact is of prime importance at the present time in the study of budgetary reform inasmuch as it sets limits to pertinent suggestions for overcoming the evils incident to American practice. Budgetary reform must render effective the principle of responsibility under the conditions imposed by the American type of constitutional government.

The diffusion of responsibility for finance bills, which seems to have reached its limit in the practice of the American Congress, shows itself in three ways:

In the first place, the House and Senate are so organized as to distribute authority for the appropriation of public moneys between twenty-nine independent committees, of which fourteen

¹ Ford, *The Cost of Our National Government*.

are committees of the House and fifteen committees of the Senate. Ten of these House committees and eight Senate committees report out all the bills carrying appropriations, while the other eleven, four in the House and seven in the Senate, report out measures for pensions, public buildings, and other things carrying demands on the Treasury, which are met by bills from one of the other committees.¹

In the second place, demands for appropriations may be presented from five sources. These are:²

The regular annual estimates transmitted by the Secretary of the Treasury, at the beginning of each session of Congress;

Supplementary estimates also transmitted by the Secretary of the Treasury;

Judgments of the Court of Claims;

Reports of engineers of the War Department;

Authorization of expenditures by enactments made during the session.

Judgments allowed by the Court of Claims call for neither executive nor legislative discussion and for that reason need not be included in either the annual or the supplementary Book of Estimates. But expenditures that follow the adoption of the reports of departmental experts or the passage of concurrent resolutions bear a different character. They should not receive legislative sanction without regard to the opinions of the Executive or to public policies approved at elections.

Congressional disorganization, when dealing with money matters, shows itself also in the unlimited right of amendment of regularly reported bills by individual members. As a result of the free exercise of this right, not only is legislative enactment removed yet another step from executive influence, but committee responsibility, as distinct from executive responsibility, is thereby greatly impaired.

TYPES OF BUDGETS

There are four general types of budgetary adjustments, and the first of the technical questions of reform in financial procedure is to determine which of these types meets most perfectly the peculiar

¹ Adapted from Collins, *The National Budget System and American Finance*.

² Ford, *The Cost of Our National Government*.

requirements of the government under consideration. These types may be described as (1) The Executive Budget Which Rests on Sovereign Authority; (2) The Executive Budget Which Rests on Conferred Authority; (3) The Legislative Budget; and (4) The Joint Executive and Legislative Budget. Although current discussion makes use of these terms, the distinction between them does not seem to be entirely clear, and for that reason a word of explanation will be submitted respecting each.

1. *The Executive Budget Which Rests on Sovereign Authority.*—By this phrase is to be understood a financial adjustment in which the executive branch of the government exercises a dominating influence over financial programs. The phrase "dominating influence" is used rather than "constitutional control" for the reason that there are many cases in which the reading of the Constitution seems to give the popular branch of the Legislature adequate control over finance bills when, in fact, the exercise of that control is so confined by the structure of the state, by established usage, or by other clauses in the Constitution, that the influence of the popular branch of the government on current policies through appropriations amounts to little or nothing. It is in this sense that the budget of the German Empire, as organized under the Constitution of 1870, was an executive budget.

The state of Maryland provides another illustration of an executive budget, or rather of an attempt to form an executive budget. In November, 1916, an amendment to the constitution was approved, which strengthened the hands of the Governor in dealing with financial legislation, if indeed it did not make him the dominant political factor in the state. This is a most significant revolution in public sentiment, inasmuch as the constitution of Maryland, adopted in 1776, contains the formal declaration that "the legislative, executive, and judicial powers of government ought to be forever separate and distinct from each other."

The new amendment provides that the Governor shall be responsible for all proposals for expenditures that can have any bearing on questions of public policy,¹ and that he shall transmit

¹ The estimates for the judicial and legislative departments, and for public schools, although included in his budget, cannot be revised by the Governor.

his budget to the presiding officers of each house, together with a "budget bill" which contains a detailed program of appropriations fully classified and itemized according to standard rules. Before final action is taken by the Legislature, the Governor may, with the consent of that body, submit amendments to correct oversights or to meet emergencies, but all such amendments are made a part of the original bill. The control of the Legislature over the executive program is limited to reducing or striking out items contained in the bill as received.

The formal domination of the Governor over financial matters, and through appropriation over general policies, seems to be fully established. In one respect only does the Legislature retain the right of financial initiative. That body is given the power to enact supplementary appropriation bills for purposes not included in the Governor's budget, provided the projects are supported by a majority vote of all members elected to each house.

Each such appropriation, however, must be embodied in a separate bill limited to a single object and purpose, and provision must be made in the bill itself for a levy of a tax sufficient in amount to defray the expenses thereof. Moreover, neither house of the Legislature may consider any supplementary appropriation until the general budgetary bill has been acted upon. Unlike the general appropriation act, all supplementary measures must be submitted to the Governor for his approval or veto.¹

There can be no question of the purpose of the Maryland Amendment of 1916. Its aim is to impose on the Governor sole responsibility for ordinary financial legislation, to make it impossible for the Legislature to change radically the Governor's programs for such legislation, but at the same time to permit new constructive legislation to be enacted on the initiative of the Legislature with the approval of the Governor. How the plan will work time alone can tell. Were the Governor a member of the legislative body and the government a committee responsible to the Legislature, the plan would be logical and doubtless workable; as things are, the citizens of Maryland must be prepared for frequent interruptions of public business because of political deadlocks.

¹ *State Budget System in the United States*, A Report of a Commission to Compile Information, Submitted to the Constitutional Convention of Massachusetts, p. 10.

2. The Executive Budget Which Rests upon Conferred Authority.—

The English budget is an illustration of a budget of this type, and it is the only type possible under the English Constitution which provides for party government through a committee responsible to the House of Commons. This committee—the Prime Minister and cabinet members—is the government and as such controls all policies and programs so long as it retains the confidence of Parliament. As soon as it fails to command a majority in the House of Commons, it ceases to be the accredited government, and another government is raised to carry on the King's business. The steps in budgetary procedure in England are well known. The cabinet makes the estimates and the Chancellor of the Exchequer, who is the Second Lord of the Treasury, transmits these estimates to Parliament. These estimates are framed as a bill by the government; and the House limits its authority to approval or disapproval of the proposals of the cabinet. Members of the House deny themselves the right of amendment, with the single exception that they may reduce or strike out items.

The English budget, like the imperial German budget, is an executive budget. Both originate with the administration and in both cases the administration controls finance bills while before the legislative bodies. The political character, however, of the two systems is essentially different. The one was the expression of sovereign authority and stood for autocratic domination; the other is the expression of delegated authority and stands for the domination of the popular will. The English system cannot be understood until it is recognized that the object of the House of Commons in curtailing its own initiative on finance bills is to make effective its domination over general policies. We may admire this English system. It seems to fit perfectly the class organization of English society during the past two centuries. Nor is it for us to discuss in this connection whether the English plan of government by parties will continue to stand in the presence of a real democratization of the Kingdom. Our lesson is learned when it is observed that the personal and official connection between the executive and the legislative departments of the government is the key to the success of English financial procedure. The transfer

of this English system to a country in which the executive is constitutionally responsible to the voters and not to the Legislature is impossible. The budgetary problem in countries that have adopted the essential principles of the Constitution of the United States is quite different from that which submits itself either to Germany or to England.

3. *The Legislative Budget.*—Under this phrase is included any type of financial adjustment that gives the legislative department of government domination over financial programs, or through financial programs over general governmental policies. Two illustrations may be submitted, the one drawn from the financial practice of our federal government, and the other suggested by the New York Budget Law of 1916.

The leading facts respecting the financial procedure of the United States are commonly known. During the revolutionary period, and during the seven years covered by the Confederation, there was, strictly speaking, no executive department of government. Congress itself was a committee appointed by the states to secure co-operative action on the part of the states. It was clothed with no abiding authority, although, because of the pressing nature of the problems with which it was called upon to deal, it did assume to exercise certain administrative as well as legislative functions. The collapse of this experiment, when it came, was formal and final. In 1789 this pseudo-government gave place to a real government, and the financial difficulties experienced during the period of the Confederation were, perhaps, the strongest argument in support of the change.

Under the new government the popular branch of the Legislature was given the exclusive right to "originate" money bills, and this fact, taken in connection with the instinctive jealousy of executive authority, produced in the United States a budget of the legislative type. The interpretation placed on the prerogatives of the executive also contributed to the same result. The President has no official authority to give shape to finance measures. "The regular statement and account of the receipts and expenditures of public money" for which the Constitution provides is a duty imposed on Congress and not on the executive. The Secretary

of the Treasury, although a cabinet member, has never been regarded as a finance minister responsible for the framing of finance bills. As an administrative servant of Congress, his hands have from time to time been somewhat strengthened, but this has always been at the expense of bureau chiefs and heads of departments, and not at the expense of what Congress has assumed to be its constitutional prerogatives. Such changes as have taken place seem to encourage rather than to discourage executive disintegration in budgetary matters, and executive officials, knowing that they have no constitutional basis for constructive action, have quite generally acquiesced in the legislative assumption that the executive department has no responsibility for the framing or the meaning of finance bills. If to this be added the fact that members of the House and Senate exercise practically an unlimited right of initiative and amendment during the passage of money bills, while the veto of the President is limited to the approval or disapproval of appropriation bills *en bloc*, the essential weakness of the executive in matters of financial procedure becomes evident. It is therefore easy to understand why the legislative type of budgetary procedure has established itself as a feature of federal organization.

The New York Budget Law of 1916 is another illustration of a legislative budget. No change in the character of customary financial procedure was attempted, but it undertook to strengthen and render more effective the "legislative process dealing with appropriations."

This law represents three features that are of interest. In the first place, a conference between the finance committees of the Senate and the Assembly takes place before these bodies meet in legislative session, an adjustment which is a marked improvement over the common practice of meeting only to compromise the differences between Senate and Assembly bills. In the second place, a joint bill is submitted to both houses at the same time and the Senate and Assembly members of the joint committee appear on the floors of their respective houses to explain and define the bills submitted. In the third place, the right of amendment by members is considerably curtailed. The law provides that "while

the bill is before the Committee of the Whole of the Senate, or on the order of second reading in the Assembly, it may be amended either by inserting additional items or by increasing, reducing or eliminating items, but on third reading no amendments are in order except to reduce or eliminate an item without unanimous consent. The purpose of these provisions is to give the appropriation measures ample consideration and publicity and to prevent the practice of 'tacking' on measures to the general appropriation bill."¹ The New York Law of 1916 is of interest because it is a formal attempt to make a budget of the legislative type a successful governmental instrument. From these two illustrations one may learn the character and discern the political implications of a legislative budget.

4. *The Joint Budget.*—The character of this type of budgetary procedure is suggested by the phrase used to describe it. It means the control of a nation's finance by the joint co-operative action of the executive and legislative departments of the government, such action being so organized as to make efficient use of the peculiar official responsibilities of each department. It is the type of budget that commended itself to President Taft when in his budget message of 1912 he urged on Congress the necessity of federal budgetary reform. At the close of this message he expressed himself as follows:

The purpose of the report which is submitted is to suggest a method whereby the President, as the constitutional head of the administration, may lay before the Congress, and the Congress may consider and act on, a definite business and financial program; to have the expenditures, appropriations, and estimates so classified and summarized that their broad significance may be readily understood; to provide each Member of Congress, as well as each citizen who is interested, with such data pertaining to each subject of interest that it may be considered in relation to each question of policy which should be gone into before an appropriation for expenditures is made; to have these general summaries supported by such detail information as is necessary to consider the economy and efficiency with which business has been transacted; in short, to suggest a plan whereby the President and the Congress may co-operate—the one in laying before the Congress and the country a clearly expressed administrative program to be acted on; the other in laying before the President a definite enactment to be acted on by him.

¹ *State Budget Systems in the United States*, p. 24.

BUDGETARY REFORM IN THE UNITED STATES

Budgetary reform did not become a political issue until the first decade of the twentieth century, when considerable attention was given to this subject by both the federal government and state governments. For convenience of treatment, these will be separately considered.

FEDERAL BUDGETARY REFORM

From the organization of the Treasury Department, including in that phrase those adjustments traceable to the influence of Albert Gallatin, down to 1909, when President Taft took up the task of formulating an administrative budget, the only congressional enactments which permanently affected financial procedure were the Acts of 1870 and 1874, according to which unexpended balances of general appropriations were to be covered back into the Treasury. Large sums had been accumulated by certain departments and bureaus as unused portions of past appropriations. In one case this unexpended balance was the accumulation of a quarter of a century and amounted to thirty millions of dollars. It is, of course, futile to expect Congress to control administrative policies by means of current appropriations as long as a department, a bureau, or a service has at its disposal revenues from past appropriations with which to expand old or establish new undertakings. A consolidated fund is an essential feature of any sound financial organization and the effect of the Laws of 1870 and 1874 was to establish the integrity of such a fund.

To President Taft belongs the credit of having forced the problem of federal budgetary reform on the attention of the public. In 1910 an appropriation was made "to enable the President . . . to inquire more effectively into the methods of transacting public business . . . with a view to inaugurating new or changing old methods . . . so as to attain greater economy and efficiency therein." In 1911 a Commission on Economy and Efficiency was created which, after fifteen months' investigation, submitted a report on "The Need for a National Budget." This report was made the subject of a special message and was transmitted to Congress on July 27, 1912. The message itself is well worth the

reading as expressing the embarrassments experienced by the executive in the exercise of his prerogative as the only official elected by the vote of all the people. Regarded as a program for constructive legislation, it is a statesmanlike document. It points out the evils of loose financial practice; it recognizes the restrictions under which both the executive and the Legislature are called upon to act; and it refrains from futile worship of political leadership in a country in which political leadership finds no constitutional warrant. As already pointed out, it proposes a plan for co-operation between the executive and Congress. It advocates a joint budget as the type which meets most perfectly the American situation.

It must be conceded that the effort of President Taft to develop a sound budgetary practice has, up to the present time, produced but meager results. So far as this may be traced to what is called the jealousy of the Legislature of the executive, it cannot be regarded as a permanent obstruction to co-operative effort. The political situation under which the problem of budgetary reform now comes up is peculiar. The popular branch of the Legislature has maintained its so-called constitutional prerogative as against the executive, but in so doing the control over general policies has been transferred to the Senate. It was never intended by the founders of this government that the Senate should exert a dominating influence in public affairs, but such is the condition into which the jealousy entertained by the House of the influence of the executive has permitted the political organization of the federal government to drift. The situation is full of danger, a danger not to be overcome (indeed, the incongruity of the situation is emphasized) by the amendment to the Constitution which permits senators to be elected by popular vote. The only hope for the recovery by the House of its lost influence in the administration of public affairs is for it to accept the offer of the executive to co-operate in the formulation of a joint budget and to agree on the rules which the House and the executive will follow in the preparation of finance bills. In this situation is found the chief hope for federal budgetary reform. The argument for such reform will not be weakened when it is recognized that the restoration to the House of Representatives

of its constitutional influence as the popular branch of the government is seen to be a by-product of such reform.

STATE BUDGETARY REFORM

In 1910, when President Taft sent his special message to Congress on the need of a national budget, no state in the Union had provided either by statute or constitutional amendment for formal budgetary procedure. At the present writing twenty-six states have made such provision and others are taking steps in this direction. Twenty-three of these states are listed in the summary that follows. The laws or constitutional provisions by which the states named have authorized budgetary rules are noted, as well as the kind of a budget which each state has adopted, so far as this may be indicated by the location of responsibility for initial estimates.

SUMMARY OF BUDGET PROVISIONS¹

| State | Method of Establishment | Responsibility for Initiation of Budget |
|---------------------|---|--|
| Connecticut..... | Public Acts of 1915, Ch. 302 | State Board of Finance |
| Illinois..... | Laws of 1917, Ch. 2 | Governor and Department of Finance |
| Iowa..... | Acts and Joint Resolutions of 1915, Ch. 74 | Governor |
| Kansas..... | Session Laws of 1917, Ch. 312 | Governor |
| Louisiana..... | Acts of 1916, Act No. 140 | Board of State Affairs |
| Maine..... | Laws of 1915, Ch. 299 | Governor and Council |
| Maryland..... | Constitution, Art. III, Sec. 52 | Governor |
| Massachusetts..... | General Acts of 1918, Ch. 244 | Governor |
| Minnesota..... | Session Laws of 1915, Ch. 356 | Governor |
| Nebraska..... | Laws of 1915, Ch. 229 | Governor |
| New Jersey..... | Acts of 1916, Ch. 15 | Governor |
| New Mexico..... | Laws of 1917, Chs. 81, 114 | Governor |
| New York..... | Laws of 1916, Ch. 130 | Committees on Finance and Ways and Means Legislative Reference Librarian |
| North Carolina..... | Public Laws of 1917, Ch. 180 | |
| North Dakota..... | Laws of 1915, Ch. 61 | Budget Board |
| Ohio..... | Legislative Acts of 1913, p. 658 | Governor |
| Oregon..... | General Laws of 1913, Ch. 284 | Secretary of State |
| South Dakota..... | Laws of 1916-17, Ch. 354 | Budget Board |
| Tennessee..... | Public Laws of 1917, Ch. 139 | Budget Commission |
| Utah..... | Laws of 1917, Ch. 15 | Governor |
| Vermont..... | Acts and Resolves of 1915, No. 26 | Budget Committee |
| Washington..... | Session Laws of 1915, Ch. 126 | State Board of Finance |
| Wisconsin..... | Session Laws of 1911, Ch. 583; Laws of 1913, Ch. 728; Laws of 1915, Ch. 606 | Board of Public Affairs |

¹ Taken from *Report of Commission Appointed to Compile Information for the Constitutional Convention in Massachusetts*.

The impression gained from a cursory reading of the foregoing summary is that the present trend in the evolution of an American budget is in the direction of the "executive budget." In all of the states named, with the exception of the state of New York, the Governor or some officer or board attached to the executive, as distinct from the legislative department of the government, is made responsible for original estimates. The method of making estimates, the classification of estimates, and the centralization within the administration of authority over estimates, have greatly improved the situation as compared with the customary procedure prior to 1910; but it would be an error to assert, as many writers seem inclined to do, that the enactments referred to create executive budgets. In a few states only is there any provision that the classification of estimates furnished by the executive should give shape to the finance bills on which the Legislature is to vote. In a few states only has the Legislature consented to curtail the right of members to submit amendments to such bills while on their passage to enactment. Even in the case of Maryland, which confers on the Governor unusual powers in dealing with finance bills, the Legislature still has the right to authorize expenditures for purposes not included in the Governor's program, provided it has first disposed of the proposals submitted by the Governor and can raise the needed funds. The rejected New York constitution of 1915 contained a similar provision. Some adjustment of this sort is doubtless necessary to provide against suspension of public business because of a deadlock between the Governor and the Legislature, but it has no place in a true executive budget.

The most significant feature of the enactments cited in the foregoing summary is that which deals with executive procedure in the matter of estimates and, as such, marks an important step in the development of sound budgetary practice. Three tendencies are disclosed by the rules laid down.

First, these laws recognize that the authoritative estimates for future expenditures should be made by those who have charge of current expenditures and not by those who authorize services. The budget, in its initial stage, pertains to the executive. Nine of the twenty-five states that have enacted budgetary laws since

1900 impose the duty of original estimates on the Governor. In Massachusetts, for example, the law makes provision for a "supervisor of the administration," whose duty it is to "study and review all estimates" and to "prepare a budget for the Governor, setting forth such recommendations as the Governor shall determine upon." This makes the Governor responsible for the budget as submitted to the Legislature.

Eight of the states listed in the summary make use of some board or commission for the initial preparation of the budget, but these boards are composed either exclusively of administrative officers, or other members appointed by the Governor or, in case members of the Legislature are on such boards, the deciding vote lies with the Governor. The organization of these boards is instructive.

SUMMARY OF SPECIALLY ORGANIZED BODIES FOR DEALING WITH BUDGET SYSTEMS

| Name of State | Name of Board or Other Organization | Total No. of Members | No. Ex officio Members from the Legislature | No. Ex officio Members from the Administration | No. of Members Appointed by the Governor |
|-------------------|-------------------------------------|----------------------|---|--|--|
| Connecticut..... | State Board of Finance | 6 | ..... | 3 | 3 |
| Louisiana..... | Board of State Affairs | 3 | ..... | ..... | 3 |
| North Dakota..... | State Board of Finance | 7 | 3 | 4 | ..... |
| South Dakota..... | Budget Board | 3 | ..... | 3 | ..... |
| Tennessee..... | State Budget Commission | 5 | ..... | 5 | ..... |
| Vermont..... | State Budget Committee | 7 | 3 | 4 | ..... |
| Washington..... | State Board of Finance | 3 | ..... | 3 | ..... |
| Wisconsin..... | Board of Public Affairs | 9 | 4 | 2 | 3 |

From the foregoing statement it appears that three states only provide for legislative representation on the body imposed with the duty of primary estimates, and that even in these cases the Governor holds the balance of influence. In the opinion of the writer, these three states, North Dakota, Vermont, and Wisconsin, are the only states that have taken the proper stand from which to develop sound budgetary procedure for governments of the American constitutional type. What they have done is consistent with the idea of a joint budget. They have at least started in the right direction.

Slightly different adjustments are made by the laws of other states. In 1913 the general assembly of Illinois created a legisla-

tive reference bureau and assigned to that bureau the duty of preparing a detailed budget for the use of the Legislature. But in 1917 this adjustment gave place to greater centralization of authority. The administrative code of that date created a Department of Finance under the supervision of a director appointed by the Governor. According to this adjustment, the presumption is that the Governor controls the budget. Whether or not that presumption is tenable, experience alone can determine. In Oregon the Secretary of State initiates the budget estimates, while in North Carolina this duty is performed by the legislative reference librarian. Almost any kind of results can emerge from such arrangements. New York, alone of all the states, has provided for initiative and control over estimates by a committee of the Legislature.

Second, a second trend toward sound budgetary practice is found in those provisions of recent legislation which aim to keep the budget as a bill in harmony with the budget as an estimate. In Vermont, for example, the law undertakes to curtail the practice of direct and personal appeals to the Legislature. The general rule is that all claims against the state as well as all requests for appropriations by public officials of all classes will not be considered unless they have been filed with the secretary of the budgetary committee. In Maryland, not only may the Governor require itemized estimates from all departments and services and institute public hearings on all such estimates, but he may, at his discretion, revise these estimates, excepting only those that pertain to the Legislature, the courts, and the public schools. Similar provisions may be found in the enactments of other states, even in those of the states which make no mention of administrative centralization in the making of estimates.

The plain inference from recent enactments is that the Governor has, by virtue of the responsibilities imposed upon him, full authority to control administrative officers in matters of estimates and requests for appropriations. In this regard the trend of current legislation may be fully approved.

Third, a third significant feature suggested by a study of recent budgetary legislation pertains to the importance of a standard classification for estimates. In Massachusetts, for example, the

Act of 1918 requires separate estimates and recommendations under four general heads with appropriate subheadings. In Vermont the budget committee secures estimates from departments and services on blanks prepared and furnished by the committee, and the structure of such blanks is outlined in the law. For the most part, however, the budgetary enactments of the states are silent on this point, notwithstanding the fact that a proper classification of estimates is perhaps the most vital of the technical requirements of sound budgetary practice. Without a standard classification that can be followed from year to year no fruitful comparisons of the cost of government can be made. Only on the basis of a satisfactory classification of estimates would it be possible for the Legislature to accept budget estimates as the bases of appropriation bills. So important is this point that it should be made the subject of a special study.

CONCLUSIONS RESPECTING AMERICAN BUDGETARY REFORM

Most of the underlying principles of sound budgetary procedure have been disclosed by the foregoing discussion. The difficulty lies in the application of these principles and in the formulation of definite rules for the control of financial practice. On one point there should be no difference of opinion. The type of budget adapted to the political organization of the American people is that of the joint legislative and executive budget. A budget of the German type is not wanted; a budget of the English type, even if it were wanted, could not be introduced; a budget of the congressional type, or of the type recently adopted by the state of New York, rests on a vicious political principle. As long as the Legislature seeks to control original estimates submitted by the administration, it is futile to look for efficiency and economy in government affairs. The constitutional situation in this country demands formal, conscious, direct, and continuous co-operation between those departments of government clothed with legislative and administrative authority. In order to realize sound financial practice, governments of the American type must work out reform along the lines of a joint budget.

This conclusion, simple in itself, means quite a number of things.

On its *administrative* side, it means the formulation within the executive department of specialized rules for making estimates and an organization of executive departments and services of such a sort that the estimates submitted shall stand for a consistent political program. Those provisions in the recent enactments of certain of the states which impose on the Governor the task of framing the budget, and of framing it in such a way that it may be followed in the writing of finance bills, are defensible. Indeed, they are essential for the realization of the end sought. The federal situation is not quite so hopeful. The only congressional enactment which requires a consideration of estimates by the chief executive before their submission to Congress is found in the Law of March 4, 1909, which recites, in effect, that if estimated expenditures are in excess of estimated revenues, it becomes the duty of the President to advise Congress how, in his judgment, the balance should be restored. That is to say, when the treasury is empty, Congress wants the President to propose a plan of economies, but when the treasury is full, Congress wants no advice from the President. As long as this situation maintains, it is idle to expect reform in federal budgetary procedure.

On its *political* side, the establishment of a satisfactory budget involves the refusal of the Legislature as a voting body to assume responsibility for the details of finance bills. In no other way can the Legislature exercise efficiently its constitutional control over public policies. The man who guides the business policies of a business organization is not the man who concerns himself primarily with details. On the contrary, the strong man of a corporation is he who insists that those whose task it is to concern themselves with details should perform that task in a proper manner. This generalization is equally true for political bodies. It is not too much to say that the weak spot in the American organization for popular government is the diffusion of legislative energy, and nowhere does this appear more clearly than in connection with financial legislation. The finance committees do a vast amount of unnecessary work. They undertake original investigations to secure results which are, or should be, the by-product of an efficient

administration, and which should be made available for a study by the Legislature of the broad interests involved in the voting of specific appropriations. Legislators in this country will increase their substantial influence by abandoning some of their cherished prerogatives.

On its *technical* side, budgetary reform in the United States means a scientific classification of public services. This is no slight task. The classification required is one that will serve as the framework of a book of estimates, which, in turn, may be used as the basis of finance bills that carry legislative appropriations. The problem thus introduced is too exacting for cursory comment. It involves a detailed analysis of governmental functions and an exhaustive study of balance in appropriations. It calls for the same kind of expert treatment as is required for the formulation of a system of accounting records for a complex business enterprise.

The chief obstacle to satisfactory budgetary reform in the United States is not found in any of the technical requirements to which reference has been made. It lies rather in the misconception on the part of legislators as to the character of the influence they should exert in a popular representative government. Legislative bodies must be willing to surrender, or at least to curtail in a marked degree, the right of individual initiative and amendment so far as appropriation bills are concerned, and this they will do when they come to understand that their jealous retention of control over matters which are administrative in character weakens their influence as that department of government intrusted with the control of public policies.

HENRY C. ADAMS